

## Afghanistan Bottled Water Distribution

### Project Summary

<b>Subsector</b>	Distribution
<b>Location</b>	Kabul, Afghanistan
<b>Project Cost</b>	\$1.0 million
<b>Project Type</b>	Bottled Water and Soda Distribution
<b>Project Executing Firm/Agency</b>	Obi Zulol Joint-Stock Company (with cooperation from Aqua International)
<b>Funding Agency</b>	Not Identified



### Project Outline

Few products offer more benefit to human health, especially for children, than quality drinking water. Given the devastation in Afghanistan of infrastructure facilities, one of the few near-term opportunities to supply drinking water could come from bottled water.

Aqua International Partners, a \$240 million private equity investment fund in the water sector sponsored by the U.S. Overseas Private Investment Corporation (OPIC), is exploring how to establish a bottled water and soda distribution operation to bring quality product to the people of Afghanistan. Product would come from Obi Zulol, a bottled water and soda company with state-of-the-art facilities in Tajikistan. Aqua is seeking a local partner in Afghanistan and capital of \$300,000 to \$1.0 million to finance the establishment of an Afghan distribution operation.

Based in San Francisco, Aqua was founded in 1997 by William K. Reilly, former Administrator of the U.S. Environmental Protection Agency during the first Bush administration and currently chairman of the board of World Wildlife Fund.

Obi Zulol, located in northern Tajikistan near Ura Tyube, was Aqua's first investment. The company, is now the largest private employer in Tajikistan with 225 people at the plant and three distribution centers. It is the primary source of reliable high-quality drinking water for many people in the country.

In 1998, Aqua invested \$3.7 million of the total project cost of \$12.6 million, alongside the European Bank for Reconstruction and Development (EBRD), which provided further equity and debt. Also participating are two local partners, the Zafarabad Joint Stock Company and Consolidated Export Corporation, whose president is Mr. Rustam Boltaev, a former deputy minister in agri-business in Tajikistan. Aqua controls 41 percent of the company, EBRD 18 percent, and the balance rests with the local partners.

The company, which began operations in 2001, sells a mix of soda and water—about 14 million liters of product in 2002 for about \$3 million in revenues. Maximum capacity is 57 million liters per year. Soda is sold under the RC brand and water is sold under the Obi-Zulol brand. The water source is fully protected and has all necessary permits. As required for all OPIC-sponsored investments, a rigorous environmental review was prepared before plant construction, and monitoring and testing of source and product is conducted regularly.

## **Technical Description**

With a local distributor and investor, Aqua proposes to assess the feasibility of establishing a bottled water and soda distribution operation in Afghanistan. This new, local company would purchase high-quality water and soda from Obi Zulol for distribution in Afghanistan. The new company would establish a regular route to truck product from Obi Zulol's Dushanbe warehouse to Afghanistan.

To start the venture, it would be advantageous if local, regional, or Afghan-American investors would help finance a small company run by a local operator. With Aqua's assistance, Obi Zulol and regional marketing specialists would develop a business plan, including pricing, and monitor its implementation. A warehouse would be necessary in Kabul. A fleet of two to five trucks would be acquired to make the trip to and back from Dushanbe, as frequently as needed to meet market demand. The local operator would be responsible for all distribution, marketing, and sales in Afghanistan.

## **Project Site**

The project sponsors would secure or construct a distribution warehouse/center in Kabul.

## **Project Status/Timeline**

The first phase is expected to be completed within 6 months of securing the needed capital. A second phase would anticipate warehouses in two or three other locations in Afghanistan, contingent on appropriate levels of security.

## **Equipment and Services**

To create a viable distribution operation, sponsors see the following needs:

- A reliable local distributor able to start and manage a company
- A warehouse constructed or secured in Kabul
- A fleet of two to five trucks

## **U.S. Competitiveness**

The product of this distribution venture is to be obtained from neighboring Tajikistan and is intended for local use.

## **Project Financing**

Start up capital, from \$300,000 to \$1.0 million, would cover modest construction costs for the warehouse, acquisition of trucks and the supply of initial product, and marketing and distribution. Investors with local or regional expertise and ties would add value to the venture.

## **Conclusion**

Obi Zulol, Tajikistan's largest private employer, has the requisite capacity to produce high quality bottled water for export. A modest investment in a warehouse, trucks, and marketing could yield tangible results quickly with the potential to grow into a viable, regional distribution operation.

## Key Decision Makers

<b>Organization or Company Name</b>	Obi Zulol Joint-Stock Company
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